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April 15, 2008

Docket Control  
Arizona Corporation Commission  
1200 W. Washington  
Phoenix, Arizona 85007

RE: ANNUAL REPORTING REQUIREMENTS UNDER APS CODE OF CONDUCT DECISION NO. 68741  
DOCKET NO.s: E-00000A-02-0051 and E-00000A-01-0630

Dear Sir or Madame:

Pursuant to Decision No. 68741 (June 5, 2006), Part II, Section VIII of the APS Code of Conduct, attached is Arizona Public Service Company's ("APS") Annual Report for the time period of January 1, 2007 through December 31, 2007.

If you should have any questions regarding the information contained herein, please call me at 602-250-2366.

Sincerely,

Linda A. Thompson

LAT/srm

Arizona Corporation Commission

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Brian Bozzo, Compliance and Enforcement

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ARIZONA PUBLIC SERVICE COMPANY  
DECISION NO. 68741  
ANNUAL REPORT FOR THE PERIOD OF  
JANUARY 1, 2007 THROUGH DECEMBER 31, 2007

Reporting Requirements under Part II, Section VIII of Arizona Public Service Company's ("APS") Code of Conduct filed June 5, 2006.

APS shall submit the following information to the Commission on an annual basis each April 15<sup>th</sup>, which shall be available to the public:

- A. *A list of all Extraordinary Circumstances that explains the nature, cause, and duration of each incident.*

APS did not experience any Extraordinary Circumstances that required APS to act in a manner contrary to the Code of Conduct.

- B. *A report summarizing the charges associated with all non-tariffed transactions between APS and its Competitive Electric Affiliates, with the associated charges reported separately for each Competitive Electric Affiliate and for each category of service.*

Attached are the summaries for non-tariff transactions between APS and APS Energy Services, Pinnacle West Capital Corporation and Pinnacle West Marketing and Trading LLC. (PWMT became an electric affiliate of APS effective 02/01/07) (Attachments 1-3)

- C. *A report detailing (i) how many non-Standard Offer Service customers were provided metering services or meter reading services and (ii) how many Electric Service Providers received consolidated billing services from APS.*

(i) APS did not provide any non-Standard Offer Service customers metering or meter reading services for the reporting period of January 1, 2007 through December 31, 2007.

(ii) APS did not provide any consolidated billing services to any electric service provider for the reporting period of January 1, 2007 through December 31, 2007.

- D. *A report identifying all transfers between APS and its Competitive Electric Affiliates of employees at the manager level or above. In addition, this report shall identify all transfers between APS and its Competitive Electric Affiliates of all trading desk employees.*

There were two transfers of employees, at the manager level or above, between APS and its Competitive Electric Affiliates, during 2007. (See Attachment 4)

There were ten transfers of trading desk employees during 2007. (See Attachment 5)

- E. *An attestation, signed by the chief executive officer or an executive vice president of APS, that APS has complied with the Code of Conduct.*

A copy of the signed attestation by Steve Wheeler, Executive Vice President, Customer Service and Regulation is attached. (See Attachment 6)

**Arizona Public Service Company ("APS") and Pinnacle West Capital Corporation ("PWCC")  
Non-Tariffed Affiliate Charges - Year Ending 2007**

**Charges to APSES by APS**

Category of Service	FN	Amount
Wholesale Power Sales to APSES for California Load		\$11,545,054
Shared Services	(a) (b) (c)	3,954,335
Energy Risk Management		480,535

There were no charges by APS Energy Services to APS

(a) APS Shared Services include tax services, accounting and finance, corporate communications, real estate management, environmental services, human resources, information technology, and regulatory.

(b) \$3,114,727 of Shared Services are below the line dollars

(c) \$11,913 included for construction costs

**Arizona Public Service Company ("APS") and Pinnacle West Capital Corporation ("PWCC")  
Non-Tariffed Affiliate Charges - Year Ending 2007**

**Charges to APS by PWCC**

Category of Service	FN	Amount
APS share of withholding and payroll taxes		\$12,661,800
APS share of employee benefits (excluding pension and other postretirement benefits)		7,230,496
APS share of savings plan payroll deductions		3,602,494
Shared Services	(a) (b)	1,807,979
Stock Compensation	(c)	436,638
<b>Charges to PWCC by APS</b>		
Intercompany Purchases and Sales of Power		\$813,307
Transmission service		380,953
Shared Services	(d)	160,758
Energy Risk Management		25,885

(a) PWCC Shared Services include audit services, general administration, law and business practices, PNW finance, public/federal affairs, and shareholder services.

(b) \$334,140 of Shared Services are below the line dollars

(c) Amount paid by APS to PWCC for shares of PNW stock which are thereafter distributed to Senior Management Group (SMG) employees as stock incentive compensation. Other PWCC subsidiaries also make such payments to PWCC for stock incentives based on their allocated share for SMG compensation.

(d) APS Shared Services include tax services, accounting and finance, corporate communications, real estate management, environmental services, human resources, information technology, and regulatory.

NOTE: Amounts shown for PWCC reflect transactions for January 2007 only as PWCC is no longer an Energy Affiliate of APS effective 02/01/07 with the formation of PWM&T L.L.C.

**Arizona Public Service Company ("APS") and Pinnacle West Capital Corporation ("PWCC")  
Non-Tariffed Affiliate Charges - Year Ending 2007**

**Charges to PWMT by APS**

Category of Service	FN	Amount
Intercompany Purchases and Sales of Power		\$10,992,038
Transmission Services		4,286,967
Shared Services	(a) (b)	2,218,010
Energy Risk Management		356,284

There were no charges by APS Energy Services to APS

(a) APS Shared Services include tax services, accounting and finance, corporate communications, real estate management, environmental services, human resources, information technology, and regulatory.

(b) \$16,210 of Shared Services are below the line dollars

NOTE: PWMT became an electric affiliate of APS effective 02/01/07.

APS Code of Conduct

Affiliate Transfers - Management Level & Above - 2007

Employee Name	Transfer to:		Transfer From:		Department Name	Position	Department Name	Effective Date
	Company		Company					
Michael Buter	APS ES	Operations Manager	APS	E&I Technician	Northwind (Subsidiary of APS ES)	Regulatory Relations Group	Power Production - Sundance Power Plant	04/07/07
Stacy Aguayo	APS	Regulatory Relations Group Leader	APS ES	ES Regulatory Compliance Group Leader	Rates & Regulatory		ES Regulatory Pricing Operations	11/09/07

APS Code of Conduct				
Transfers - Trading Desk Employee Functions - 2007				
Employee Name	Transfer to	Position	Transfer from	Effective Date
Glendy, Bryon	APS	Real-Time Trader	PWMT	08/09/07
Jin, Jean	APS	Trader	PWMT	11/06/07
Lind, Josh	APS	Real-Time Trader	PNW	08/10/07
Maestas, Ernest	APS	Real-Time Trader	PWMT	08/07/07
Metz, David	APS	Pwr Marketer Sr PMT	PNW	01/05/07
Meyers, Dudley	PWMT	Short-Term Trader Sr	APS	10/09/07
Pelander, Dan	APS	Real-Time Trader	PNW	01/05/07
Quinones, Trudi <sup>1</sup>	APS	Scheduling Desk	PNWT	03/26/07
Steel, Kim	APS	Real-Time Trader	PWMT	08/08/07
Stephenson, James <sup>2</sup>	APS	Real-Time Trader	PWMT	10/25/07
<sup>1</sup> Moved from PWMT as Real-Time Trader to APS Scheduling Desk				
<sup>2</sup> Moved From PWMT as Real-Time Trader to APS - Gas Trading Desk				
NOTE: Employees moved to APS because PWMT Trading contracts were conveyed to non-affiliated entities during second half of 2007.				

ARIZONA PUBLIC SERVICE COMPANY  
CODE OF CONDUCT  
ATTESTATION STATEMENT

Pursuant to Arizona Public Service Company's ("APS") Code of Conduct [Part Two – Basic Principles Section VIII – Reporting Requirement], the undersigned Executive Vice President of Arizona Public Service Company submits this attestation for the period of January 1, 2007 through December 31, 2007.

I, Steve Wheeler, Executive Vice President, Customer Service/Regulation, Arizona Public Service Company, based on due inquiry and the personal attestations of personnel responsible for code of conduct administration; attest that to the best of my knowledge, information, and belief, APS has complied with the Arizona Corporation Code of Conduct effective on June 5, 2006.



Steve Wheeler  
Executive Vice President,  
Customer Service/Regulation



Date